

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon.
v. : Criminal No.
PARMATIC FILTER CORPORATION, : Title 18, United States Code,
JOHN PARKINSON, : Sections 371, 1001, 1031, and
BRETT J. HALPIN, : 2
DAVID D. SWARD, and :
WILLIAM I. SCHWARTZ, JR. :

I N D I C T M E N T

The Grand Jury in and for the District of New Jersey,
sitting at Newark, charges as follows:

COUNT ONE

**(Conspiracy to Commit Major Fraud Against the United States
and to Make and Use False Statements and Documents)**

INTRODUCTION

1. At all times relevant to this Indictment unless
otherwise stated:

a. Defendant PARMATIC FILTER CORPORATION
(hereinafter "PARMATIC"), a private company located in Denville,
New Jersey and incorporated in the State of New Jersey,
manufactured air, oil, and water filters used in commercial and
military applications. PARMATIC was awarded the following two
U.S. Government contracts as a prime contractor:

(1) On or about September 16, 1996, the
United States Department of Defense (hereinafter "DoD"), a
federal agency of the executive branch, awarded contract DAAE20-
96-C-0344 to PARMATIC (hereinafter "Contract One") to manufacture

the M48A1 Filter, Gas-Particulate (hereinafter "M48 filter" or "filter"). The M48 filter was designed to provide breathable, uncontaminated air to military personnel conducting military operations in environments contaminated by nuclear, biological, and chemical (hereinafter "NBC") agents and materials, such as nerve, blood, and blister agents and radiological particles. The DoD primarily used the filter in the M1A1/2 Main Battle Tank, which tank was used by the U.S. Army and the U.S. Marine Corps. Contract One initially required PARMATIC to make and ship approximately 1,987 filters to the DoD. The total value of Contract One was in excess of \$1 million.

(2) On or about September 26, 1997, the DoD awarded contract DAAE20-97-D-0025 to PARMATIC (hereinafter "Contract Two") to make and ship approximately 9,600 filters to the DoD. The total value of Contract Two was in excess of \$5 million.

b. Defendant JOHN PARKINSON (hereinafter "PARKINSON") was an owner and the President of PARMATIC.

c. Defendant BRETT J. HALPIN (hereinafter "HALPIN") was PARMATIC's Production Manager. HALPIN's responsibilities included management of the filter project and corresponding with the DoD on Contract One and Contract Two (hereinafter collectively "Contracts"). HALPIN became PARMATIC's Acting Plant Manager on or about May 18, 2001 and continued to manage the filter project.

d. Defendant DAVID D. SWARD (hereinafter "SWARD") was PARMATIC's M48 Filter Program Manager and the Assistant to PARKINSON. SWARD's responsibilities included administration of the Contracts and corresponding with the DoD on the Contracts.

e. R.J.S., a co-conspirator not named as a defendant herein, was PARMATIC's Plant Manager from in or around 1991 through on or about May 18, 2001. R.J.S.'s responsibilities included management of the filter project and supervising PARMATIC employees working on the filters.

f. WILLIAM I. SCHWARTZ, JR. (hereinafter "SCHWARTZ") was PARMATIC's Assembly Foreman on the filter project. SCHWARTZ's responsibilities included supervising PARMATIC's employees working on filters. SCHWARTZ also personally made and tested filters.

g. L.E.N., an individual not named as a defendant herein, was a United States Government employee with the DoD who was a Quality Assurance Representative (hereinafter "QAR") assigned to the DoD's Defense Contracting Management Command's office (hereinafter "DCMC"), located at Picatinny Arsenal, New Jersey. L.E.N.'s responsibilities included ensuring that PARMATIC's M48 filters conformed to the Contracts' manufacturing, quality, and testing requirements. L.E.N. was reassigned and replaced as PARMATIC's QAR on or about January 25, 2002.

h. The following DoD agencies administered and supervised the Contracts:

(1) The DoD Contracting Officer, located at the United States Army Tank-Automotive and Armaments Command, Rock Island Arsenal, Illinois, was responsible for administering the Contracts and authorizing changes and modifications to the Contracts' requirements.

(2) DCMC, located at Picatinny, was responsible for overseeing PARMATIC's filter project by, among other things, ensuring that PARMATIC's filters conformed to the Contracts' manufacturing, quality, and testing requirements.

Overview of the Filter and Manufacturing Processes

2. PARMATIC manufactured filters in production lots generally consisting of between approximately 150 and 430 filters per lot.

3. The filter consisted of an aluminum canister book-ended by two aluminum caps or castings - an inlet cap and an outlet cap (hereinafter collectively "castings"). Each casting contained a circular opening, known as a bore, in the center of the casting that allowed the filter to be mated to the tank's air filtration system. Each casting was chemically treated to form a coating that inhibited corrosion and oxidation. The inlet cap was affixed to the cannister with rivets, and the outlet cap was welded to the cannister.

4. The filter was comprised of two separate air filtration systems: (1) a High Efficiency Particulate Air (hereinafter "HEPA") filter; and (2) a carbon filter:

a. The HEPA filter was made of a cloth material and designed to collect small particles.

b. The carbon filter was composed of a specialized carbon impregnated with various chemicals and elements. This carbon was designed to absorb chemicals, such as nerve agents. Calgon Carbon Corporation (hereinafter "Calgon"), headquartered in Pittsburgh, Pennsylvania, was the only U.S. Government approved source of this specialized carbon.

5. Before filling each filter with carbon, a PARMATIC employee recorded the weight of the filter without carbon (hereinafter "tare weight"). After the filter was filled with carbon, a PARMATIC employee again weighed the filter and recorded its final assembly weight. By subtracting the tare weight from the final assembly weight, PARMATIC established the carbon weight for each filter.

6. PARMATIC then conducted various internal tests on each assembled filter, including the following:

a. The Halide test involved injecting a Freon gas into each filter for the purpose of detecting leaks or gaps in the filter's carbon bed. A leak or gap in the carbon bed could allow NBC agents to pass through the filter without first being

filtered. PARMATIC's Halide test equipment contained various gauges, meters, and components, including but not limited to a temperature and humidity gauge, a velocity meter, and three Eliwell gauges (Humidity Control, Temperature Control, and Temperature and Humidity Probe).

b. The HEPA test involved two tests. The aerosol penetration test involved injecting an aerosol containing small particles into the filter for the purpose of detecting holes or defects in the HEPA filter. A hole or defect in the HEPA filter could allow NBC particles to pass through the filter without first being filtered. The airflow resistance test involved forcing air at a known pressure into each filter and measuring the air pressure exiting the filter. PARMATIC's HEPA test equipment contained various gauges, meters, and components, including but not limited to a temperature and humidity gauge and a velocity meter.

7. After each filter was completed and tested, as described in Paragraph 6a and b above, PARMATIC assigned a sequential, non-reoccurring seven or eight digit serial number to each filter, which serial number was imprinted on two metallic plates that were affixed to each end of the filter body.

8. A properly manufactured filter was designed to protect military personnel when air containing NBC agents and particles was taken into the filter. The contaminated air then passed through the HEPA filter, thereby removing solid

contaminants and particles, and then into the carbon, thereby absorbing any toxic and poisonous agents. Filtered air then passed into the crew compartment of the tank.

Overview of the Contracts' Requirements and Procedures

9. The DoD required PARMATIC to manufacture, test, and ship the filters based on the requirements and procedures set forth in the Contracts and by the DoD, as described in Paragraphs 10 through 28 below.

First Article Testing

10. Contract One required PARMATIC to manufacture and submit a small number of filters to the DoD for testing before PARMATIC could begin full scale filter production. This requirement, known as "First Article Testing," was intended to ensure that PARMATIC had the ability to manufacture filters that conformed to all contractual requirements.

11. First Article Testing was required to be representative of the filters that PARMATIC would manufacture during regular production, including use of the same parts, materials, and the same sources of supply.

12. Contract One imposed an obligation on PARMATIC to notify the DoD if PARMATIC changed any source of supply after First Article Testing. Once notified of any such change of vendor, the DoD had the option to impose additional First Article Testing. PARMATIC was responsible for the costs of any additional First Article Testing.

13. The DoD waived First Article Testing under Contract Two; however, the change of vendor notification requirement described in Paragraph 12 above applied to all filters manufactured and shipped to the DoD under Contract Two.

14. On or about June 18, 1997, PARMATIC successfully completed First Article Testing, and the DoD authorized PARMATIC to begin regular filter production. PARMATIC advised the DoD that castings used during First Article Testing were obtained from a foundry in Ohio.

Castings

15. The Contracts required each casting to be chemically treated, as described in Paragraph 3 above. In addition, the Contracts required the castings to meet certain dimensional requirements, known as specifications.

Halide and HEPA Testing and Calibration Requirements

16. The Contracts required PARMATIC to perform Halide and HEPA testing, as described in Paragraph 6a and b above, on each filter made by PARMATIC and shipped to the DoD. If any filter failed any test, then PARMATIC was required to pull that filter from the production lot. This failed filter could not be part of the production lot and could not be shipped to the DoD.

17. The Contracts further required PARMATIC to establish a calibration system for the various gauges, meters, and components on PARMATIC's Halide and HEPA testing equipment.

Calibration was the process of comparing a measuring instrument, such as a gauge or meter, with a known measurement standard to establish the accuracy of the measuring instrument. A purpose of calibration was to ensure that each gauge, meter, and component was within its proper and specified testing tolerances (i.e., in tolerance). PARMATIC represented to the DoD that all meters and temperature gauges on its Halide and HEPA testing equipment would be calibrated on an annual basis.

18. As part of First Article Testing, PARMATIC advised the DoD that PARMATIC's Halide Testing equipment contained, among other things, three Eliwell gauges, and that PARMATIC would calibrate these gauges on a yearly basis.

Submission of Randomly Selected Production Lot Samples

19. The Contracts required each PARMATIC production lot to be manufactured from the same materials, using the same assembly and production processes.

20. After PARMATIC completed a production lot and performed all the required testing, as described in Paragraph 6 a and b above, the Contracts required a small, representative number of filters to be randomly selected from the entire production lot (hereinafter "sample filters") by or under the supervision of the QAR.

21. After the sample filters were randomly selected from the completed production lot, as described in Paragraph 20 above, the QAR was required to complete a DD Form 1222 (Request for and Results of Tests) (hereinafter "DD Form 1222"). The DD Form 1222 authorized PARMATIC to submit the sample filters to Edgewood Arsenal, Aberdeen Proving Grounds, Maryland, a DoD facility (hereinafter "Edgewood"). At Edgewood, each sample filter underwent Government testing. During this testing, a substance designed to simulate a nerve agent was injected into each sample filter. If any sample filter failed testing at Edgewood, then the DoD was required to reject PARMATIC's entire production lot.

Repair and Rework of Nonconforming Material

22. The Contracts required PARMATIC to obtain DoD approval before repairing or reworking any nonconforming part, item, or material for use in the filters. A repair consisted of reprocessing a nonconforming part, item, or material to reduce, but not completely eliminate, the nonconformance. A rework consisted of reprocessing a nonconforming part, item, or material to make it completely conform to the Contracts.

23. PARMATIC was not authorized to ship any filter, or any part, item, or material thereof, that had been repaired or reworked unless the DoD had previously approved such action.

Rescreening of Rejected Production Lots

24. By late 2000, PARMATIC had approximately eight production lots of filters, representing approximately 1,800 filters, at its premises that the DoD had previously rejected based on sample filters that had failed testing at Edgewood. Beginning in or around late 2000, the DoD authorized a process (hereinafter "Rescreening Method") to allow PARMATIC to resubmit sample filters to the DoD from these rejected filters as follows:

a. The DoD required PARMATIC to determine the carbon weight of each filter within the rejected production lot as each filter's carbon weight was recorded when the lot was originally manufactured or after any authorized repair or rework of the lot.

b. After determining the carbon weight of each filter, PARMATIC was required to remove any filter with a low carbon weight, as determined by the DoD.

c. The QAR was required to randomly select sample filters from the remaining production lot for testing at Edgewood, as described in Paragraphs 19-21 above.

d. If all randomly selected sample filters from the remaining production lot passed testing at Edgewood, then the DoD authorized PARMATIC to ship the production lot to the DoD.

Shipment of Filters to the DoD

25. If the sample filters passed testing at Edgewood and the entire production lot conformed to all other contractual requirements, then the DoD authorized PARMATIC to ship the production lot to the DoD. The following procedures were required to be followed when PARMATIC shipped a completed production lot to the DoD:

a. PARMATIC and the QAR were required to complete a DD Form 250 (Material Inspection and Receiving Report) (hereinafter "DD Form 250"). The QAR was required to attest that all filters related to the DD Form 250 were made under the QAR's supervision and conformed to the applicable contractual requirements. PARMATIC was not authorized to ship filters to the DoD unless and until the QAR signed the DD Form 250.

b. For each production lot shipped to the DoD, PARMATIC created an invoice for payment, which invoice PARMATIC submitted to the Defense Finance and Accounting Service, Columbus, Ohio (hereinafter "DFAS"). PARMATIC submitted an invoice to DFAS as a demand for payment on each filter production lot that PARMATIC had shipped to the DoD under the Contracts.

26. PARMATIC's filters were shipped to various DoD installations, facilities, and depots in the United States and outside the United States for use in M1A1/2 Tanks and for storage in the DoD's war reserve.

Request for Equitable Adjustment

27. Under the various federal laws and regulations related to U.S. Government contracts, PARMATIC was authorized to submit a Request for Equitable Adjustment (hereinafter "REA") to the DoD. A REA was a modification to a contract that allowed PARMATIC to obtain additional monies from the DoD for a variety of reasons, including changes to the contract, place of performance, or design specifications, among other reasons.

28. As part of the REA process, PARMATIC was required to submit a "Certification of Current Costs or Pricing Data," which certification required PARMATIC to truthfully disclose its costs, to include the cost of materials to manufacture the filters.

THE CONSPIRACY

29. From at least as early as July 1997 to in or around December 2002, in the District of New Jersey and elsewhere, defendants

PARMATIC FILTER CORPORATION,
JOHN PARKINSON,
BRETT J. HALPIN,
DAVID D. SWARD, and
WILLIAM I. SCHWARTZ, JR.

knowingly and willfully conspired and agreed with each other, R.J.S., and others to:

(a) execute a scheme and artifice with the intent to defraud the United States, and with the intent to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, in the procurement of property and services as a prime contractor with the United States in connection with Contracts One and Two, as referred to in Paragraph 1 above, the value of which contracts were each \$1 million or more, contrary to Title 18, United States Code, Section 1031; and

(b) in the jurisdiction of the executive branch of the United States, namely, the DoD, make materially false, fictitious, and fraudulent statements and representations, and make and use false writings and documents knowing them to contain materially false, fictitious, and fraudulent statements and entries, and falsify, conceal, and cover up by trick, scheme, and device material facts, contrary to Title 18, United States Code,

Section 1001.

OBJECTS OF THE CONSPIRACY

30. The objects of the conspiracy included the following: (a) fraudulently circumventing the Contracts' manufacturing, testing, and quality assurance requirements to maximize PARMATIC's profits; and (b) making and using false statements and documents to and concealing material facts from the DoD to maximize PARMATIC's profits.

MEANS AND METHODS OF THE CONSPIRACY

31. Among the means and methods employed by PARMATIC, PARKINSON, HALPIN, SWARD, R.J.S., and SCHWARTZ to carry out the conspiracy and effect the unlawful objects set forth above were those set forth in Paragraphs 32 through 46 below.

Unauthorized Change of Vendor and Machining of Castings

32. It was a part of the conspiracy that PARMATIC obtained a new source of supply (hereinafter "new vendor") for the castings after First Article Testing without first notifying the DoD and without the DoD's knowledge, consent, and authorization.

33. It was a further part of the conspiracy that PARMATIC and SWARD continued to purchase and accept castings from the new vendor even though PARMATIC and SWARD knew that the new vendor's castings did not conform to the Contracts, including inlet caps that were dimensionally oversized and nonconforming to

the Contracts' required specification.

34. It was a further part of the conspiracy that R.J.S. directed PARMATIC employees to attempt to bring these dimensionally oversized inlet caps into specification by removing, or machining, aluminum from the inlet caps. This machining was conducted without the DoD's knowledge, consent, and authorization and made the inlet caps nonconforming to the Contracts by, among other ways, removing the protective coating applied to the castings to inhibit corrosion and oxidation.

35. It was a further part of the conspiracy that, after the DoD discovered that PARMATIC had changed vendors without the DoD's knowledge, consent, and authorization, PARMATIC, PARKINSON, HALPIN, and SWARD falsely represented and caused to be falsely represented to the DoD that the new vendor's castings conformed to the Contracts and affirmatively concealed from the DoD the fact that the new vendor's castings had dimensional defects and had been machined.

Fraud Related to Calibration Requirements and Internal Testing

36. It was a further part of the conspiracy that PARMATIC and SCHWARTZ directed PARMATIC employees to test filters on PARMATIC's Halide and HEPA test equipment, knowing such test equipment contained gauges, meters, and components that had not been calibrated, as required.

37. It was a further part of the conspiracy that,

after the DoD discovered that PARMATIC had tested filters on PARMATIC's Halide and HEPA test equipment that contained gauges, meters, and components that had not been timely calibrated, PARMATIC, PARKINSON, HALPIN, and SWARD actively concealed material facts by providing and causing others to provide false information to the DoD (a) to prevent the DoD from determining whether the gauges, meters, and components on PARMATIC's testing equipment were out of tolerance at the time such equipment was used to test filters; and (b) to prevent the DoD from recalling PARMATIC's filters that had been tested with equipment that was out of tolerance.

38. It was a further part of the conspiracy that PARMATIC and SCHWARTZ caused filters to be shipped to the DoD, knowing that such filters had failed Halide and HEPA testing.

Fraudulent Samples Submitted to Edgewood

39. It was a further part of the conspiracy that PARMATIC, PARKINSON, HALPIN, SWARD, R.J.S., and SCHWARTZ agreed to provide the DoD with hand selected and specially manufactured sample filters for testing at Edgewood. These sample filters were neither randomly selected from complete production lots nor representative of complete production lots and were submitted to maximize the probability that PARMATIC's sample filters would pass Edgewood testing.

40. It was a further part of the conspiracy that PARMATIC, PARKINSON, HALPIN, SWARD, R.J.S., and SCHWARTZ (1) affixed serial numbers to hand selected filters and substituted them for sample filters selected by the QAR; and (2) manufactured sample filters intended solely for Edgewood testing.

41. It was a further part of the conspiracy that PARMATIC, PARKINSON, HALPIN, SWARD, R.J.S., and SCHWARTZ concealed material facts and provided and caused others to provide false information to the DoD concerning the production and submission of sample filters to the DoD, as described in Paragraphs 39-40 above.

Unauthorized and Fraudulent Remanufacture of Filters

42. PARMATIC sought DoD approval to rework and repair two lots of filters, Lots 2A and 3, which lots the DoD had previously rejected based on sample filter failures. PARMATIC sought the DoD's approval to rework and repair the filters in Lots 2A and 3 by, among other things, removing each filter's inlet cap, removing each filter's carbon, shipping the carbon to Calgon for reclamation and recertification, refilling the empty filters with reclaimed carbon and new carbon, and reinstalling each inlet cap to the corresponding filter body. The DoD rejected PARMATIC's request to rework and repair Lots 2A and 3.

43. It was a further part of the conspiracy that, after the DoD rejected PARMATIC's request to rework and repair Lots 2A and 3, PARKINSON, HALPIN, SWARD, and SCHWARTZ caused PARMATIC to ship Lots 2A and 3 to the DoD after PARMATIC had remanufactured these lots by, among other things, removing each filter's inlet cap, removing each filter's carbon, refilling the empty filters with carbon, and reinstalling each inlet cap to the corresponding filter body, all without the DoD's knowledge, consent, and authorization.

44. It was a further part of the conspiracy that PARMATIC, PARKINSON, HALPIN, SWARD, and SCHWARTZ concealed material facts by providing and causing others to provide false information to the DoD concerning PARMATIC's unauthorized remanufacture of Lots 2A and 3.

False and Fraudulent Request for Equitable Adjustment

45. It was a further part of the conspiracy that PARMATIC, PARKINSON, and SWARD submitted a REA to the DoD that contained false, fictitious, and fraudulent information concerning PARMATIC's cost of materials to manufacture filters related to the Contracts.

46. It was a further part of the conspiracy that PARMATIC, PARKINSON, and SWARD submitted and caused to be submitted a materially false and fraudulent Certification of Current Costs or Pricing Data to the DoD in support of the REA.

OVERT ACTS

47. In furtherance of the conspiracy and in order to effect the objects thereof, defendants PARMATIC FILTER CORPORATION, JOHN PARKINSON, BRETT J. HALPIN, DAVID D. SWARD, and WILLIAM I. SCHWARTZ, JR., and their co-conspirators committed and caused the following overt acts to be committed in the District of New Jersey and elsewhere:

a. On or about July 1, 1997, after PARMATIC completed First Article testing on or about June 18, 1997, PARKINSON directed PARMATIC to obtain a new source of supply for the castings.

b. On or about November 3, 1997, SWARD wrote a "Contact Report," stating that PARMATIC would save approximately \$230,000 by obtaining castings from the new vendor.

c. On or about November 4, 1997, PARMATIC purchased 22,000 castings from the new vendor, which were subsequently obtained and accepted by PARMATIC on various dates and in various quantities.

d. For example, on or about August 12, 1998, PARMATIC obtained approximately 409 inlet caps from the new vendor and accepted such inlet caps that were oversized and nonconforming to the Contracts' required specification.

e. In or around mid-1998, R.J.S. directed PARMATIC employees to machine dimensionally oversized inlet caps that PARMATIC had received from the new vendor.

f. On or about April 2, 2001, PARMATIC submitted an invoice for payment to DFAS for a production lot of filters shipped to the DoD under Contract Two, which lot contained a filter with a machined inlet cap with no protective coating.

g. On or about August 7, 2001, SCHWARTZ caused PARMATIC to submit 16 hand selected sample filters to Edgewood that were not randomly selected from the associated production lot, not representative of the complete production lot, and manufactured solely for Edgewood testing.

h. On or about May 17, 2001, PARMATIC submitted 16 hand selected filters to Edgewood that were not randomly selected from the associated production lot, not representative of the complete production lot, and manufactured solely for Edgewood testing.

i. On or about November 6, 2001, HALPIN transmitted and caused to be transmitted false, fictitious, and fraudulent tare weights, final assembly weights, and carbon weights to the DoD pertaining to Lots 2A and 3 for the purpose of inducing the DoD to accept these lots under the Rescreening Method, as described in Paragraph 24 above.

j. On or about January 22, 2002, SCHWARTZ caused PARMATIC to submit 11 hand selected sample filters to Edgewood that were not randomly selected from the associated production lot and manufactured solely for Edgewood testing.

k. On or about January 23, 2002, SCHWARTZ tested a filter on the Halide test equipment with a temperature and humidity gauge and a velocity meter that had not been calibrated.

l. On or about April 19, 2002, SCHWARTZ caused PARMATIC to ship filters from Lot 2A under Contract Two that had failed the Halide test to the DoD under Contract Two.

m. On or about April 19, 2002, PARMATIC shipped filters from Lot 2A to the DoD under Contract Two that had been remanufactured without the DoD's knowledge, consent, and authorization.

n. On or about April 19, 2002, PARMATIC shipped filters from Lot 3 to the DoD under Contract Two that had been remanufactured without the DoD's knowledge, consent, and authorization.

o. On or about May 16, 2002, HALPIN transmitted a letter to the DoD, falsely stating that PARMATIC replaced its humidity devices on the Halide and HEPA test equipment each year rather than recalibrate such devices.

p. On or about May 31, 2002, SWARD transmitted and caused to be transmitted to the DoD a Certification of Current Costs or Pricing Data that falsely certified that PARMATIC's REA for Contracts One and Two contained complete and true information.

q. On or about June 18, 2002, HALPIN caused PARMATIC to ship carbon to Calgon that had been removed from Lots 2A and 3 without the DoD's knowledge, consent, and authorization.

r. On or before June 25, 2002, PARKINSON directed SWARD to rewrite his "Contact Report" and delete all references to the fact that PARMATIC had saved approximately \$230,000 by purchasing castings from the new vendor.

s. On or about July 26, 2002, SWARD falsely told federal agents from the DoD that he had seen no data of a previous problem concerning inlet caps, that PARMATIC would have no reason to machine inlet caps, and that no dimensional problems were detected during PARMATIC's inspection of such inlet caps.

t. On or about July 26, 2002, HALPIN falsely told federal agents from the DoD that PARMATIC had not become aware of dimensional problems with the new vendor's inlet caps.

u. On or about July 26, 2002, SCHWARTZ falsely told federal agents from the DoD that he was aware of only one occasion where PARMATIC submitted sample filters to Edgewood for testing that were not representative of a production lot.

v. On or about September 30, 2002, PARKINSON caused a letter to be transmitted to the DoD that made false representations concerning the change of vendor.

All in violation of Title 18, United States Code, Section 371.

COUNTS TWO THROUGH FIVE
(Major Fraud Against the United States)

1. The allegations set forth in Paragraphs 1 through 28 and Paragraphs 30 through 47 of Count One of this Indictment are hereby realleged as if set forth fully herein.

2. On or about the dates listed below, in the District of New Jersey and elsewhere, the defendants identified below knowingly and willfully executed and attempted to execute a scheme and artifice with the intent to defraud the United States, namely, the DoD, and with the intent to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, through the submission of invoices, as set forth more particularly below, in the procurement of property and services as a prime contractor with the United States in connection with Contract Two, the value of which contract was \$1 million or more:

| Count | Defendants | Approximate Date of Submission of Invoice | False and Fraudulent Invoice |
|-------|--|---|---|
| Two | PARMATIC, PARKINSON, HALPIN, SWARD, SCHWARTZ | June 29, 2001 | Invoice submitted to DFAS for Lot 18, which filters were shipped to the DoD based on sample filters that were specifically manufactured for testing rather than randomly selected from the lot. |

| Count | Defendants | Approximate Date of Submission of Invoice | False and Fraudulent Invoice |
|-------|--|---|--|
| Three | PARMATIC, PARKINSON, HALPIN, SWARD, SCHWARTZ | October 31, 2001 | Invoice submitted to DFAS for Lot 9, which filters were shipped to the DoD based on sample filters that were specifically manufactured for testing rather than randomly selected from the lot. |
| Four | PARMATIC PARKINSON, HALPIN, SWARD, SCHWARTZ | February 28, 2002 | <p>Invoice submitted to DFAS for Lot 2A, which lot contained filters that:</p> <p>(1) were remanufactured without the DoD's knowledge, consent, and authorization;</p> <p>(2) had failed PARMATIC's internal testing, including Halide testing;</p> <p>(3) were shipped to the DoD based on sample filters that were specifically manufactured for testing rather than randomly selected from the lot; and</p> <p>(4) were accepted by the DoD based on false, fictitious, and fraudulent statements and representations concerning the tare weights, final assembly weights, and carbon weights of these filters.</p> |

| Count | Defendants | Approximate Date of Submission of Invoice | False and Fraudulent Invoice |
|-------|--|---|--|
| Five | PARMATIC, PARKINSON, HALPIN, SWARD, SCHWARTZ | March 29, 2002 | <p>Invoice submitted to DFAS for Lot 3, which lot contained filters that:</p> <p>(1) were remanufactured without the DoD's knowledge, consent, and authorization;</p> <p>(2) had failed PARMATIC's internal testing, including Halide testing; and</p> <p>(3) were accepted by the DoD based on false, fictitious, and fraudulent statements and representations concerning the tare weights, final assembly weights, and carbon weights of these filters.</p> |

All in violation of Title 18, United States Code,
Sections 1031 and 2.

COUNTS SIX THROUGH TWELVE
(False Statements and Documents to the DoD)

1. The allegations set forth in Paragraphs 1 through 28 and Paragraphs 30 through 47 of Count One of this Indictment are hereby realleged as if set forth fully herein.

2. On or about the dates listed below, in the District of New Jersey and elsewhere, the defendants identified below, in a matter within the jurisdiction of the executive branch of the United States, namely, the DoD, knowingly and willfully made and caused to be made materially false, fictitious, and fraudulent statements and representations, made and used and caused to be made and used false writings and documents knowing them to contain materially false, fictitious, and fraudulent statements and entries, and falsified, concealed, and covered up by trick, scheme, and device, and caused to be falsified, concealed, and covered up by trick, scheme, and device certain material facts, as set forth below:

| Count | Defendants | Approximate Date of Submission | Description of False Statement, Document, and Matter Concealed |
|-------|--|--------------------------------|--|
| Six | PARMATIC, PARKINSON, HALPIN, SWARD, SCHWARTZ | April 19, 2002 | DD Form 250 submitted to the DoD that falsely represented that all Lot 2A filters conformed to Contract Two, when these filters were remanufactured without the DoD's knowledge, consent, and authorization; had failed PARMATIC's internal testing, including Halide testing; and were shipped to the DoD based on sample filters that were specifically manufactured for testing rather than randomly selected from the lot. |
| Seven | PARMATIC, PARKINSON, HALPIN, SWARD, SCHWARTZ | April 19, 2002 | DD Form 250 submitted to the DoD that falsely represented that all Lot 3 filters conformed to Contract Two, when these filters were remanufactured without the DoD's knowledge, consent, and authorization and had failed PARMATIC's internal testing, including Halide testing. |
| Eight | PARMATIC, HALPIN | May 16, 2002 | Letter from HALPIN submitted to the DoD that falsely stated that PARMATIC replaced temperature and humidity devices on PARMATIC's Halide and HEPA test equipment with new ones at the end of their certification periods rather than annually recalibrate such devices. |

| Count | Defendants | Approximate Date of Submission | Description of False Statement, Document, and Matter Concealed |
|--------|---|--------------------------------|---|
| Nine | PARMATIC, PARKINSON, SWARD | May 31, 2002 | Certification of Current Costs or Pricing Data submitted to the DoD that certified as complete and true PARMATIC's REA, which certification falsely represented PARMATIC's costs to manufacture filters. |
| Ten | PARMATIC, SWARD | July 26, 2002 | SWARD falsely told federal agents from the DoD that he had seen no data of a previous problem concerning inlet caps; that PARMATIC would have no reason to machine inlet caps; and that dimensional problems were not detected during PARMATIC's inspection of such inlet caps. |
| Eleven | PARMATIC, SCHWARTZ | July 26, 2002 | SCHWARTZ falsely told federal agents from the DoD that he was aware of only one occasion where PARMATIC submitted sample filters to Edgewood that were specifically manufactured for testing rather than randomly selected from the lot. |
| Twelve | PARMATIC, PARKINSON, HALPIN, SWARD | September 30, 2002 | Letter to the DoD that falsely and fraudulently stated that PARMATIC did not need to notify the DoD about PARMATIC's change of vendor. |

All in violation of Title 18, United States Code,
Sections 1001 and 2.

COUNT THIRTEEN
(Conspiracy to Commit Wire Fraud)

1. The allegations set forth in Paragraphs 1 through 28 and Paragraphs 30 through 47 of Count One of this Indictment are hereby realleged as if set forth fully herein.

INTRODUCTION

2. At all times relevant to this Indictment:

a. CI was a company located in Foreign County One that, among other things, subcontracted with shipbuilders.

b. KCA, located in California, was CI's United States subsidiary.

The 1996 and 2000 Commercial Contracts

3. PARMATIC and CI entered into the following two commercial contracts:

a. On or about September 23, 1996, CI awarded a contract to PARMATIC (hereinafter "1996 Contract") for PARMATIC to manufacture the M56 Filter. The M56 Filter was an NBC Filter containing the same carbon as used in the M48 Filter; however, the M56 filter was designed for naval vessels and was comprised of several components, including anti-blast valves (hereinafter "ABVs"), filter housings, and pressure monitoring and alarm systems, among other components (hereinafter collectively "M56 Filter system"). The total value of the 1996 contract was \$1,885,000. The United States Government was not a party to the

1996 Contract.

b. On or about November 17, 2000, CI awarded a second contract to PARMATIC for the manufacture of the M56 Filter (hereinafter "2000 Contract"). The total amount of the 2000 contract was \$1,294,955 (U.S. Dollars) with a \$488,145 option. The United States Government was not a party to the 2000 Contract.

c. The M56 Filters were intended for use in destroyers being manufactured for Foreign Country One's Navy.

4. Under the 1996 and 2000 Contracts, CI would not accept shipment of M56 Filters unless and until the M56 Filters were inspected for conformance with the contracts' requirements. The contracts required an independent party to inspect PARMATIC's completed M56 Filters. The inspector was then required to certify that the filters met the contracts' requirements. PARMATIC used certifications as proof that its M56 filters met all contractual requirements.

THE CONSPIRACY

5. From on or about October 22, 1996 to in or around December 2002, in the District of New Jersey and elsewhere, defendants

PARMATIC FILTER CORPORATION and
DAVID D. SWARD

knowingly and willfully conspired and agreed with each other, L.E.N., and others to devise a scheme and artifice to defraud CI, and to obtain money and property from CI by means of materially false and fraudulent pretenses, representations, and promises, and to do so by means of interstate and foreign wire communications, contrary to Title 18, United States Code, Section 1343.

OBJECT OF THE CONSPIRACY

6. The object of the conspiracy was to defraud CI and maximize PARMATIC's profits by providing and using certifications that falsely and fraudulently represented that the U.S. Government had inspected PARMATIC's M56 Filter system, and that the U.S. Government certified that PARMATIC's M56 Filter system conformed to the contractual requirements.

MEANS AND METHODS OF THE CONSPIRACY

7. It was a part of the conspiracy that before or immediately after entering into the 1996 Contract, PARMATIC told CI that PARMATIC had a U.S. Government QAR, namely L.E.N., who could inspect PARMATIC's M56 Filter system.

8. It was a further part of the conspiracy that L.E.N. transmitted and caused to be transmitted to CI false, fraudulent, and fictitious documents that represented that the U.S. Government had agreed to inspect and provide certifications on PARMATIC's M56 Filter system.

9. It was a further part of the conspiracy that PARMATIC, SWARD, and L.E.N. transmitted and caused to be transmitted certifications related to PARMATIC's M56 Filter system to CI and KCA containing L.E.N.'s signature and official U.S. Government seal. By submitting such certifications to CI and KCA, PARMATIC, SWARD, and L.E.N. falsely represented to CI and KCA that PARMATIC's M56 Filter system had been inspected by the U.S. Government, and that the U.S. Government found PARMATIC's M56 Filter system to meet the contracts' requirements. In truth and in fact, PARMATIC, SWARD, and L.E.N. knew that L.E.N. had no authority from the U.S. Government to inspect PARMATIC's M56 Filter system or to make such representations on these certifications.

10. It was a further part of the conspiracy that PARMATIC, SWARD, and L.E.N. continued to make and use these false and fraudulent certifications, even after the DoD had removed L.E.N. as PARMATIC's QAR.

OVERT ACTS

11. In furtherance of the conspiracy and in order to effect the object thereof, defendants PARMATIC FILTER CORPORATION, DAVID D. SWARD, and L.E.N., and their co-conspirators committed and caused the following overt acts to be committed in the District of New Jersey and elsewhere:

a. On or about October 22, 1996, L.E.N. transmitted and caused to be transmitted a letter on PARMATIC's letterhead to CI that falsely stated that the DoD would be able to perform inspections and issue certifications related to PARMATIC's M56 Filters.

b. On or about June 16, 1997, L.E.N. signed and impressed with his official U.S. Government seal a PARMATIC Certification for Vibration Test (M56 Filter), which certificate was transmitted via facsimile from New Jersey to Foreign County One.

c. On or about July 14, 1997, L.E.N. signed and impressed with his official U.S. Government seal a PARMATIC Certification for Vibration Test (ABV).

d. On or about July 14, 1997, L.E.N. signed and impressed with his official U.S. Government seal a PARMATIC Certification for Shock Test (ABV).

e. On or about February 5, 2002, PARMATIC transmitted to KCA, via facsimile from New Jersey to California, the certificates executed by L.E.N. as referred to in Paragraph 11a through d above.

f. On or about May 22, 2002, SWARD signed a PARMATIC Certificate of Shock Test Extension (Pressure Monitoring and Alarm System), which certification L.E.N. signed and sealed with his official U.S. Government seal after being removed by the DoD as PARMATIC's QAR.

g. On or about May 22, 2002, SWARD signed a PARMATIC Certificate of Vibration Test Extension (ABV), which certification L.E.N. signed and sealed with his official U.S. Government seal after being removed by the DoD as PARMATIC's QAR.

h. On or about May 22, 2002, SWARD signed a PARMATIC Certificate of Shock Test Extension (ABV), which certification L.E.N. signed and sealed with his official U.S. Government seal after being removed by the DoD as PARMATIC's QAR.

i. On or about October 29, 2002, PARMATIC transmitted to CI, via facsimile from New Jersey to Foreign Country One, the certificates signed by SWARD and executed by L.E.N. as referred to in Paragraph 11f through h above.

All in violation of Title 18, United States Code, Section 371.

A TRUE BILL.

FOREPERSON

CHRISTOPHER J. CHRISTIE
United States Attorney